

CITY OF ADEL  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2008
Jon McAvoy	Council Member	Jan 2006
Jeff Harsh	Council Member	Jan 2008
Steve Nichols	Council Member	Jan 2008
Dale Swanson	Council Member	Jan 2006
Angie Overton	Council Member	Jan 2008
Vickie Moorhead	Administrator	At will
Pat Gilliland	Clerk	At will
John Reich	Attorney	At will

City of Adel

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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Ames, Iowa 50010  
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Clive, Iowa 50325  
Phone: 515-252-7141 FAX: 515-252-7073

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These primary government financial statements are the responsibility of the City of Adel's management. Our responsibility is to express opinions on these primary government financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these primary government financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 16, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated July 22, 2004 on our consideration of the City of Adel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing

Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Adel's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

July 22, 2004  
Ames, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Adel provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of financial activities focuses on current year activities and should be read in conjunction with the City's financial statements, which follow.

Because the City, as required by the State of Iowa, has implemented new reporting standards for this fiscal year, there are significant changes in content and structure. Therefore, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

**USING THIS ANNUAL REPORT** – The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental and proprietary funds.

### Basis of Accounting

The City of Adel, along with many Iowa cities, maintains its financial records on the basis of cash receipts and disbursements. The financial statements of the City are prepared on that basis. The cash basis of accounting does not take into consideration accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles (GAAP). Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting. However, because the City of Adel has used the cash basis of accounting for many years, this report does show activities for a full 12 month period.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets

may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

It should be noted that when major projects take place, financing and expenditures may occur in different fiscal years. For example: The Adel Public Library Construction project was financed in FY04, dramatically increasing the cash balance. The majority of those funds will be spent in FY05 reducing the cash balance "back to normal". These types of conditions will be addressed when reporting the financial highlights.

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, which includes the Special Street Reserve Fund 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds account for the City's Enterprise Funds. These proprietary funds are used to report business type activities. The City maintains separate funds for water, sewer and garbage/recycling, with the water and sewer funds considered to be major funds of the City. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

All receipts and disbursements for the City of Adel are categorized as either governmental activities or business-type activities. As a tool in understanding the Statement of Activities, an explanation of governmental accounting follows:

Governmental Funds – Most of the city's basic services are reported in governmental funds. These are categorized during the budgeting process and subsequently the annual report as general, special revenue, debt service and capital projects. The following funds further detail revenue and expenditures.

Public Safety: includes police operations, fire protection, building inspections and animal control.

Public Works: includes roads, bridges, sidewalks, street cleaning, equipment, street lighting, snow removal, some tree care and traffic control.

Culture and Recreation: includes library services, museum, parks, pool and cemetery.

Community and Economic Development: includes activities in the urban renewal area including the industrial park funded by tax increment financing.

General Government: includes mayor, council, elections, general legal services, city hall, and general liability insurance.

Debt Service: includes bond payments for general obligation and street and storm sewer construction.

Capital Projects: This fund is utilized in two different ways:

1. Expenditures for construction/reconstruction projects that are reimbursed with bond proceeds, tax increment financing or other funds. Some projects are financed as internal debt.



2. Capital Improvements set aside funds for vehicle/equipment replacement, building maintenance, office equipment, playground equipment, as well as water and sewer improvement funds which can also be classified as internal service funds. These accounts are funded annually through the budgeting process. By setting aside money for future purchases, the taxpayer realizes savings by eliminating bond and interest costs and the City is able to upgrade its equipment and facilities.

Business-type activities: The City charges customers for these services. They are self-sufficient proprietary funds. Expenditures from these funds include operations, transfers and debt payments. Fees for all the enterprise services are combined on monthly billing statements to individual customers.

Water – Revenues to support the operation and maintenance of the City's water plant and distribution system are derived from billings to customers based on individual usage as well as interest on investments and connection fees. Rates charged for services reflect cost of operations and maintenance, debt payments and funding for future improvements.

Sewer – Revenues to support the operation and maintenance of the City's sewer system are derived from billings to customers based on water usage as well as interest and connection fees. Rates charged for services reflect the cost of operations and maintenance, debt payments as well as funding for future improvements.

Garbage/Recycling – The City contracts for collection of residential garbage and recycling service. Recycling contracts for residential customers include curbside recycling for cardboard, paper, plastic, glass, and metal in containers provided by the City. Yardwaste collection is also provided by contract. Residential customers are billed based on that contract with the addition of the per capita landfill fee. The City also contracts for commercial collection of cardboard and paper in the business district and bills those customers accordingly. Revenues are used to pay contracts, purchase recycle containers and pay for services provided by city staff.

## 2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by 33% from fiscal 2003 to fiscal 2004. Two (2) major activities account for this increase: 1) Revenue from the \$2.6 million bond sale for the Adel Public Library/Street Project, which included \$200,000 for the street special assessment financing and 2) \$736,146 in revenue from concrete project special assessments and refund of sales tax on the street construction project. If these extraordinary revenues were excluded, revenues would have decreased by 1.7% or \$36,971 due to loss of state revenue.

Property tax revenue increased 7.4% or approximately \$83,504 due to values of new construction and the city property tax levy increase from \$14.79 to \$15.31 per thousand (3.5%).

- Disbursements decreased from fiscal year 2004 to 2003 by almost 20%, most of which is attributable to the 2003 expenditures for the Public Safety Building Remodel and a refinancing of sewer bonds. If those extraordinary costs were excluded, operational expenditures would have decreased by \$155,180 or 4.7%.
- The City's total cash basis net assets increased dramatically due to the \$2.6 million bond sale. Excluding the bond fund balance, we believe, gives a more accurate picture of the City's financial condition. Doing so shows adjusted net assets to be \$451,335, an increase of \$112,697. Of this amount, the assets of the governmental activities increased approximately \$98,739 and the assets of the business type activities increased by approximately \$13,958.

PROPERTY TAX DISTRIBUTION – Another important question asked of City finances is, “What services are provided by property tax dollars?” Property taxes accounted for 46.3% of the funding for governmental activities in FY04. The following table shows how property taxes are distributed to each fund, the % of your total tax that is allocated to each fund, as well as revenues used to support each fund.

FUND	PROPERTY TAXES	% of TOTAL TAXES	OTHER REVENUES	TOTAL
Public Safety	\$ 473,491	31.2%	\$ 129,305	\$ 602,796
Public Works	77,411	5.1%	304,869	382,280
Culture & Recreation	234,737	15.5%	124,357	359,094
Economic Development	81,218	5.3%	-	81,218
General Government	138,768	9.1%	49,050	187,818
Debt Service	310,332	20.4%	430,754	741,086
Capital Projects	145,000	9.6%	774,821	919,821
Unallocated Funds *	57,771	3.8%	(57,771)	*
Total (including TIF)	\$ 1,518,728	100.0%	\$ 1,755,385	\$ 3,274,113

\* Unallocated tax funds resulted from excess Tax Increment Financing funds received (\$8,767) and changes in employee status and benefits which reduced costs during FY04.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes on cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 196,901
Operating grants (COPS), contributions and restricted interest	547,802
Capital grants, contributions, and restricted interest	9,516
General receipts:	
Property tax	1,209,994
Tax increment financing	308,734
Other taxes	8,194
Unrestricted grants and contributions	507,716
Note proceeds	2,824,732
Unrestricted investment earnings and rent	26,892
Other general receipts	14,307
Other financing sources	65,450
Total receipts and transfers	5,720,238
Disbursements:	
Public Safety	602,796
Public Works	382,280
Health and social services	-
Culture and recreation	359,094
Community and economic development	81,218
General government	187,818
Debt service	667,377
Capital projects	1,002,337
Total disbursements	3,282,920
Change in cash basis net assets	2,437,318
Cash basis net assets beginning of year	(50,629)
Cash basis net assets end of year	\$ 2,386,689

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Changes in Cash Basis Net Assets of Business Type Activities

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	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 473,457
Sewer	391,940
Garbage/Recycling	158,527
General receipts:	
Unrestricted interest on investments	5,318
Total receipts	<u>1,029,242</u>
Disbursements:	
Water	473,696
Sewer	323,075
Garbage/Recycling	153,063
Transfers	65,450
Total disbursement and transfers	<u>1,015,284</u>
Increase (decrease) in cash balance	13,958
Cash basis net assets beginning of year	389,267
Cash basis assets end of year	<u><u>\$ 403,225</u></u>

Total business type activities receipts for the fiscal year were \$1,029,242 compared to \$1,028,291 last year. Total disbursements and transfers for the fiscal year decreased by \$85,608 to total of \$1,015,284 mainly due to reduced debt service payments.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Adel completed the year, its governmental funds reported a combined fund balance of \$2,386,689. This balance reflects the June 2004 \$2.6 million bond sale for the Adel Public Library Construction/Street Assessment Project. Reducing the project fund balance from actual fund balance would give a more accurate picture of the city's condition. The adjusted balance of \$48,110 would then reflect an increase of \$98,739 from last year's total of (\$50,629). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$131,959 from the prior year to \$199,815. This decrease is attributable to loss of state revenue and transfers from the Special Street Reserve fund to complete projects.
- The Road Use Tax Fund cash balance increased by nearly \$30,000 during the fiscal year. The City intends to use this money to maintain or upgrade the condition of all City roads including asphalt overlays, crack filling and maintaining Greene Street (formerly transferred from the State of Iowa).
- The Urban Renewal Tax Increment Fund cash balance of \$131,991 increased slightly from the previous year. These funds will be used to reduce internal debt within the urban renewal district.
- The Capital Projects Fund:

Construction/Reconstruction project cash balances increased significantly due to the sale of the Library/Street Construction Bond. Most of the bond proceed monies will be disbursed in FY05.

Internal Debt projects (Brickyard Road, City Hall, Public Safety Building and Industrial Park purchase) were reduced by \$71,249. These debts will continue to be reduced by transfers from the TIF fund.

Capital Improvements fund balances increased by \$100,951 due to transfers from departmental budgets for future purchases and projects. FY05 purchases will include: police car, dump/snow truck, skid loader, park mower and pickup. Funds continue to be transferred from Water and Sewer funds for future utility improvements.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$2,804 to \$169,424, due primarily to the wet spring and summer resulting in decreased water sales. A transfer of \$7,500 was made to the Water Upgrade Capital Projects Fund for future system improvements.
- The Sewer Fund cash balance increased by \$15,298 to \$166,244, due to reduced expenditures. A transfer of \$15,000 was made to the Sewer Upgrade Capital Projects Fund for future system improvements.
- Garbage/Recycling Fund increased by \$1,464 to \$67,557. The City will continue to improve services throughout the community.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on March 9, 2004 and provided for the revenue and disbursements for the Library Building Project as well as reductions in all departments due to the shortfall of revenue as enacted by the State Legislature. Some cash balances were needed to absorb the reduced state revenue.

## DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$6,635,470 in bonds and other long-term debt, compared to approximately \$4,472,470 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General obligation capital loan notes	\$ 5,589,000	\$ 3,201,000
Tax Increment Financing bonds	60,000	75,000
Revenue bonds and notes	851,470	1,041,470
Special assessment notes	135,000	155,000
Total	\$ 6,635,470	\$ 4,472,470

There was one new bond issued during the year. This was a \$2.6 million bond for the Adel Public Library construction (\$2.4 million) and the Street Project Special assessments (\$200,000)

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. This also includes Tax Increment Revenue Bonds. The sale of the Adel Public Library/Street General Obligation Bond increased the debt obligation of the City to \$5,649,000. This debt, however, remains below the constitutional debt limit of \$7,103,209. The City of Adel is currently utilizing 80% of its debt limit.

## TIF REBATES

The City has a 10-year decreasing tax rebate agreement with United Brick and Tile Company for its expansion at the brick plant, which increased their property values by \$1.75 million. The first rebate was paid in FY04 in the amount of \$57,376.88 which represented 100% of the increased taxes paid by the company as a result of the expansion. Next year's rebate will be in the amount of \$54,365.43 or 90% of the increased taxes. Rebates will continue to be paid, reducing by 10% each year until 2013.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Adel considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. Park user fees were implemented to fund playground equipment capital projects.

When adopting the budget for fiscal year 2005, it was recommended that departments submit budget requests essentially the same as the previous year after cuts were made due to the state reduced revenue. In doing so, the City of Adel tax levy rate decreased slightly, to \$15.29 from \$15.31 per thousand of taxable value. Taxable valuations throughout the city increased by \$470,166 due to new construction. This will generate an additional \$7,190 in property tax revenue, which is less than a 1% increase in property tax revenue.

Although overall property tax valuations increased for FY05, the City remains concerned about additional cuts as the state legislature reconvenes.

Property valuation serves as the basis for calculating property taxes. Since 1978, residential, commercial, industrial, and agricultural classifications have been subject to an assessment limitation order, or rollback, that limits annual growth in property values to 4%. A further restriction is that the growth of residential property cannot exceed that of agricultural property. Residential property for FY05 is taxed at 48.45% of its value, a decrease of 3% from fiscal years 2004 and 2003 and nearly 8% from 2001. This puts an additional tax burden on commercial properties, raising economic development issues.

Revenues from road use tax will increase due to the DOT formula of payment for the transfer of jurisdiction of Highway 6 to the city.

The construction of the Adel Public Library should be nearly completed by the end of fiscal year 2005.

The City will be considering a street reconstruction project and if approved, would issue general obligation debt for the City's share of the costs.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pat Gilliland, City Clerk/Treasurer, 301 S. 10th Street, P.O. Box 248, Adel, Iowa.

City of Adel



## Basic Financial Statements

City of Adel

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 602,796	20,661	56,602	-
Public works	382,280	2,897	296,114	-
Health and social services	-	-	-	-
Culture and recreation	359,094	100,595	15,258	-
Community and economic development	81,218	-	-	-
General government	187,818	25,133	11,731	-
Debt service	667,377	-	-	-
Capital projects	1,002,337	47,615	168,097	9,516
Total governmental activities	3,282,920	196,901	547,802	9,516
Business type activities:				
Water	473,696	473,457	-	-
Sewer	323,075	391,940	-	-
Garbage/Recycling	153,063	158,527	-	-
Total business type activities	949,834	1,023,924	-	-
Total	\$ 4,232,754	1,220,825	547,802	9,516
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Mobile home tax				
Franchise taxes				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(525,533)	-	(525,533)
(83,269)	-	(83,269)
-	-	-
(243,241)	-	(243,241)
(81,218)	-	(81,218)
(150,954)	-	(150,954)
(667,377)	-	(667,377)
(777,109)	-	(777,109)
(2,528,701)	-	(2,528,701)
-	(239)	(239)
-	68,865	68,865
-	5,464	5,464
-	74,090	74,090
(2,528,701)	74,090	(2,454,611)
973,411	-	973,411
308,734	-	308,734
236,583	-	236,583
2,930	-	2,930
5,264	-	5,264
507,716	-	507,716
2,992	5,318	8,310
23,900	-	23,900
2,824,732	-	2,824,732
14,307	-	14,307
-	-	-
65,450	(65,450)	-
4,966,019	(60,132)	4,905,887
2,437,318	13,958	2,451,276
(50,629)	389,267	338,638
\$ 2,386,689	403,225	2,789,914
\$ 30,587	-	30,587
131,991	-	131,991
68,778	31,669	100,447
-	-	-
2,155,333	371,556	2,526,889
\$ 2,386,689	403,225	2,789,914

City of Adel

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2004

		Capital Projects	
		Concrete Paving Project	Library Building Project
	General		
Receipts:			
Property tax	\$ 687,717	-	-
Tax increment financing collections	-	-	-
Other city tax	6,174	-	-
Licenses and permits	29,476	-	-
Use of money and property	26,859	15	-
Intergovernmental	5,600	-	-
Charges for service	119,810	-	-
Special assessments	-	-	-
Miscellaneous	14,307	407,680	100,036
Total receipts	889,943	407,695	100,036
Disbursements:			
Operating:			
Public safety	465,579	-	-
Public works	58,546	-	-
Culture and recreation	271,420	-	-
Community and economic development	-	-	-
General government	152,203	-	-
Debt service	-	-	-
Capital projects	-	669,498	130,551
Total disbursements	947,748	669,498	130,551
Excess (deficiency) of receipts over (under) disbursements	(57,805)	(261,803)	(30,515)
Other financing sources (uses):			
Note proceeds	-	4,631	2,369,094
Operating transfers in	155,261	222,349	-
Operating transfers out	(229,415)	(29,647)	-
Total other financing sources (uses)	(74,154)	197,333	2,369,094
Net change in cash balances	(131,959)	(64,470)	2,338,579
Cash balances beginning of year	331,774	64,470	-
Cash balances end of year	\$ 199,815	-	2,338,579
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	199,815	-	-
Special revenue funds	-	-	-
Capital projects fund	-	-	2,338,579
Total cash basis fund balances	\$ 199,815	-	2,338,579

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
522,277	1,209,994
308,734	308,734
-	6,174
-	29,476
18	26,892
335,649	341,249
-	119,810
47,615	47,615
218,089	740,112
<u>1,432,382</u>	<u>2,830,056</u>
137,217	602,796
323,734	382,280
87,674	359,094
81,218	81,218
35,615	187,818
667,377	667,377
202,288	1,002,337
<u>1,535,123</u>	<u>3,282,920</u>
<u>(102,741)</u>	<u>(452,864)</u>
451,007	2,824,732
309,062	686,672
(362,160)	(621,222)
<u>397,909</u>	<u>2,890,182</u>
295,168	2,437,318
(446,873)	(50,629)
<u>(151,705)</u>	<u>2,386,689</u>
68,778	68,778
-	199,815
313,271	313,271
(533,754)	1,804,825
<u>(151,705)</u>	<u>2,386,689</u>

## City of Adel

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			Total
	Water	Sewer	Other Nonmajor Proprietary Funds	
Operating receipts:				
Charges for service	\$ 470,338	391,940	158,527	1,020,805
Miscellaneous	3,119	-	-	3,119
Total operating receipts	473,457	391,940	158,527	1,023,924
Operating disbursements:				
Business type activities	336,146	224,592	153,063	713,801
Excess (deficiency) of operating receipts over (under) operating disbursements	137,311	167,348	5,464	310,123
Non-operating receipts (disbursements):				
Interest on investments	5,285	33		5,318
Debt service	(137,550)	(98,483)	-	(236,033)
Total non-operating receipts (disbursements)	(132,265)	(98,450)	-	(230,715)
Excess (deficiency) of receipts over (under) disbursements	5,046	68,898	5,464	79,408
Other financing sources (uses):				
Operating transfers out	(7,850)	(53,600)	(4,000)	(65,450)
Net change in cash balances	(2,804)	15,298	1,464	13,958
Cash balances beginning of year	172,228	150,946	66,093	389,267
Cash balances end of year	\$ 169,424	166,244	67,557	403,225
Cash Basis Fund Balances				
Reserved for debt service	\$ 131,723	173,574	-	305,297
Unreserved	37,701	(7,330)	67,557	97,928
Total cash basis fund balances	\$ 169,424	166,244	67,557	403,225

See notes to financial statements.

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City of Adel

City of Adel

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage/recycling service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the South Dallas County Landfill Agency. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Adel (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The South Dallas Landfill Agency is a component unit of the City of Adel and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Landfill is governed by a one member Board appointed by the City Council and the Landfill's operating budget is subject to the approval of the City Council.



### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Emergency Management Commission, Central Iowa Regional Housing Board, Dallas County Joint Emergency 911 Service Board, Central Iowa Regional Transportation and Planning Alliance Board, Dallas County Airport Oversight Committee, Museum Committee, CIRTPA Policy Committee, and the Greater Dallas County Development Alliance.

### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are

paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Capital Projects:

The Concrete Paving Project is used to account for construction on certain City streets.

The Library Building Project is used to account for construction on the new Library being built next to the City Hall.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Adel maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, culture and recreation, and the debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management

investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name. The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$606 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing bonds, revenue bonds and notes, special assessment bonds and notes, and state revolving loans are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds and Notes		Special Assessment Notes		Urban Renewal Tax Increment Financing Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 160,000	152,727	205,000	28,975	20,000	7,785	15,000	4,395	400,000	193,882
2006	265,000	259,111	106,000	24,103	20,000	6,685	15,000	3,330	406,000	293,219
2007	276,000	249,376	106,000	19,607	20,000	5,565	15,000	2,235	417,000	276,783
2008	284,000	238,472	81,000	14,866	25,000	4,425	15,000	1,125	405,000	258,888
2009	301,000	226,650	87,000	12,440	25,000	2,975	-	-	413,000	242,065
2010 - 2014	1,728,000	916,484	221,000	24,946	25,000	1,500	-	-	1,974,000	942,930
2015 - 2019	1,750,000	457,327	45,470	3,582	-	-	-	-	1,795,470	460,909
2020 - 2024	825,000	132,206	-	-	-	-	-	-	825,000	132,206
Total	\$ 5,589,000	2,632,353	851,470	128,519	135,000	28,935	60,000	11,085	6,635,470	2,800,882

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

On June 26, 1997, the City entered into a loan agreement with the Iowa Finance Authority for a State Revolving Loan in the amount of \$1,000,000. This loan bears interest at 3.92% per annum. Interest payments on the outstanding balance are due semi-annually in June and December. The loan proceeds were used to pay a portion of the cost of the construction and improvements to the City's sewer system.

The resolutions providing for the issuance of the water and sewer revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.

- b) Sufficient monthly cash transfers shall first be made to an operation and maintenance fund in an amount equal to current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- c) Sufficient monthly cash transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- d) Additional monthly cash transfers shall be made to separate water and sewer reserve accounts until specific monthly balances have been accumulated.
- e) Additional monthly cash transfers of \$750 shall be made to a water revenue bond improvement account until a minimum of \$45,000 is accumulated. This account is restricted for the purpose of paying the cost of capital improvements and extensions to the municipal waterworks plant and system provided that no deficiency exists in the amounts required to be paid into the water revenue bond sinking account, and to call and redeem such bonds issued hereunder or as may be thereafter issued when subject to redemption prior to maturity.

The resolution providing for the issuance of the \$190,000 Urban Renewal Tax Increment Revenue Bonds, Taxable Series 1993 includes the following provisions:

- a) The net revenues of the project shall be deposited as collected in the Urban Renewal Tax Increment Revenue Fund.
- b) A special fund from which interest and principal on the bonds shall be paid shall be established. The fund shall be known as the Urban Renewal Project Revenue Sinking Account. The amount to be deposited in the account is an amount equal to the interest and principal coming due on such bonds during the fiscal year. Moines shall be transferred from the Urban Renewal Tax Increment Revenue Fund.

#### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$50,654, \$50,512 and \$45,490, respectively, equal to the required contributions for each year.

#### (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory

time termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 41,000
Compensatory time	<u>3,000</u>
Total	<u>\$ 44,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Settlement Agreement

On September 29, 1998, the Adel City Council approved a settlement agreement regarding the City of Adel's closure/post-closure costs which have been incurred in the past and those that are expected to be incurred in the future, based upon population and use of certain areas of the South Dallas County Landfill. Under the agreement, the City agreed to pay to the landfill the sum of \$39,592 per year for thirty years for future closure/post-closure costs, and \$27,553 per year for five years to reimburse the landfill agency for closure/post-closure costs already incurred. Also included in the settlement agreement is an indemnification provision. The other cities which execute the settlement agreement will have their annual contributions fixed at a "not to exceed" level.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency Levy	\$ 20,344
	Police	41,667
	Enterprise:	
	Water	7,850
	Garbage	4,000
	Debt Service:	
	1992 Paving	71,400
	Capital Project:	
	Vehicle Replacement	10,000
		<u>155,261</u>
Special Revenue:		
Police Academy	General	<u>1,000</u>
Debt Service:	Special Revenue:	
General Obligation Bonds	Urban Renewal Tax Increment	73,749
	Capital Projects:	
	Concrete Paving Project	29,647
	Enterprise:	
	Sewer	53,600
		<u>156,996</u>
Capital Projects:	Special Revenue:	
Industrial Park Project	Urban Renewal Tax Increment	25,000
South 12th Street	General	6,066
Concrete Paving Project	General	222,349
Brickyard Road Project	Special Revenue:	
	Urban Renewal Tax Increment	20,000
Public Safety Building	Urban Renewal Tax Increment	50,000
New City Hall	Urban Renewal Tax Increment	50,000
		<u>373,415</u>
Total		<u>\$ 686,672</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Notes Receivable/Economic Development

The City of Adel is a member of the Dallas County Developers Organization. The Organization was developed to promote economic development within the community. Each year, the City contributes \$1 per capita. This year's contribution was \$6,870. In April of 2000, the Iowa Department of Economic Development approved the City's application for funding from the Community Economic Betterment Account. The funding consists of a zero percent seven year loan in an amount not to exceed \$500,000. The City received the \$500,000 in the fiscal year ended June 30, 2001 and disbursed the money to United Brick and Tile, Inc. and the City's liability is limited to its good faith enforcement of the loan.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,411 during the year ended June 30, 2004. The City also had business transactions with the South Dallas County Landfill Agency totaling \$18,495.

(10) South Dallas County Landfill Agency

The City of Adel is currently the sole participant in the South Dallas County Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Agency is governed by a board composed of an elected representative of the governed body of the participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City may have an ongoing financial obligation.

Complete financial statements for the Agency can be obtained from the Agency.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Adel of its proportionate share of the net costs of the system for the prior calendar year. The City of Adel will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Adel. During the year ended June 30, 2004, the City paid a total of \$37,929 to the City of Ames in connection with this contract.

(13) Garbage Contract

On July 1, 1998, the City entered into a contract with Waste Management of Iowa to provide collection services for City residents. The contract is for a period of three years and runs from July 1, 2001 to June 30, 2004. The City pays the contractor \$9.73 per residential household unit from which solid waste is collected. During the year ended June 30, 2004, the City paid a total of \$ 138,100 to Waste Management of Iowa. These fees included garbage pickup, recycling, yard waste and per capita fees. In June 2004, the City amended the garbage contract to increase the fee to \$10.83 per month per residential household and extended their contract with Waste Management thru June 30, 2009.

(14) Deficit Fund Balances

The City had the following deficit balances at June 30, 2004:

Debt Service Fund	General Obligation Bonds	\$ 42,749
Special Revenue Funds	Fire	1,970
	Short Term Projects	1,472
Capital Projects Funds	Industrial Park Project	160,000
	Brickyard Road Project	110,000
	Public Safety Building	326,586
	03-04 Asphalt Project	2,521
	New City Hall	143,035
Enterprise	Sewer Rental	7,330

(15) Construction Commitment

The City has entered into a construction contract totaling \$2,066,373, none of which has been paid as of June 30, 2004.

(16) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.



## Required Supplementary Information

City of Adel  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,209,994	-	1,209,994	1,133,942	1,133,942	76,052
Tax increment financing collections	308,734	-	308,734	300,000	300,000	8,734
Other city tax	6,174	-	6,174	51,238	51,238	(45,064)
Licenses and permits	29,476	-	29,476	19,975	19,975	9,501
Use of money and property	26,892	5,318	32,210	4,900	32,900	(690)
Intergovernmental	341,249	-	341,249	470,238	405,258	(64,009)
Charges for service	119,810	1,020,805	1,140,615	1,235,855	1,186,855	(46,240)
Special assessments	47,615	-	47,615	35,000	35,000	12,615
Miscellaneous	740,112	3,119	743,231	245,800	545,800	197,431
Total receipts	2,830,056	1,029,242	3,859,298	3,496,948	3,710,968	148,330
Disbursements:						
Public safety	602,796	-	602,796	705,073	700,839	98,043
Public works	382,280	-	382,280	380,752	373,152	(9,128)
Culture and recreation	359,094	-	359,094	360,240	344,784	(14,310)
Community and economic development	81,218	-	81,218	81,251	81,251	33
General government	187,818	-	187,818	210,209	204,559	16,741
Debt service	667,377	236,033	903,410	411,000	411,000	(492,410)
Capital projects	1,002,337	-	1,002,337	29,647	1,674,647	672,310
Business type activities	-	713,801	713,801	1,031,338	981,643	267,842
Total disbursements	3,282,920	949,834	4,232,754	3,209,510	4,771,875	539,121
Excess of receipts over disbursements	(452,864)	79,408	(373,456)	287,438	(1,060,907)	687,451
Other financing sources, net	2,890,182	(65,450)	2,824,732	-	2,600,000	224,732
Excess of receipts and other financing sources over disbursements and other financing uses	2,437,318	13,958	2,451,276	287,438	1,539,093	912,183
Balances beginning of year	(50,629)	389,267	338,638	338,638	338,638	-
Balances end of year	\$ 2,386,689	403,225	2,789,914	626,076	1,877,731	912,183

See notes to financial statements.

See accompanying independent auditors' report.

City of Adel

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$214,020 and \$1,562,365, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, culture and recreation, and debt service functions.

## Other Supplementary Information

City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue							
	Self Insurance	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits	Library Memorial	Central Park Memorial	Fire	Police
Receipts:								
Property tax	\$ 7,540	-	-	264,306	-	-	-	-
Tax increment financing collections	-	308,734	-	-	-	-	-	-
Use of money and property	-	-	-	-	8	-	-	-
Intergovernmental	-	-	291,972	-	2,010	-	-	41,667
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	4,772	2,336	2,757	10
Total receipts	7,540	308,734	291,972	264,306	6,790	2,336	2,757	41,677
Disbursements:								
Operating:								
Public safety	1,736	-	-	118,248	-	-	4,245	-
Public works	1,012	-	262,137	42,309	-	-	-	-
Culture and recreation	1,567	-	-	44,613	25,317	2,447	-	-
Community and economic development	-	60,773	-	-	-	-	-	-
General government	1,445	-	-	34,170	-	-	-	-
Debt service	-	20,445	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total disbursements	5,760	81,218	262,137	239,340	25,317	2,447	4,245	-
Excess (deficiency) of receipts over (under) disbursements	1,780	227,516	29,835	24,966	(18,527)	(111)	(1,488)	41,677
Other financing sources (uses):								
Bond proceeds (net of fees)	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	(218,749)	-	-	-	-	-	(41,667)
Total other financing sources (uses):	-	(218,749)	-	-	-	-	-	(41,667)
Net change in cash balances	1,780	8,767	29,835	24,966	(18,527)	(111)	(1,488)	10
Cash balances beginning of year	15,172	123,224	752	66,803	30,602	2,475	(482)	16,500
Cash balances end of year	\$ 16,952	131,991	30,587	91,769	12,075	2,364	(1,970)	16,510
Cash Basis Fund Balances								
Unreserved:								
Special revenue funds	\$ 16,952	131,991	30,587	91,769	12,075	2,364	(1,970)	16,510
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 16,952	131,991	30,587	91,769	12,075	2,364	(1,970)	16,510

See accompanying independent auditors' report.

Special Revenue								
Police DARE	Police Academy	Police Equipment	Short Term Projects	Library Building	Park Impact Fees	Emergency Levy	FEMA Grant	Refunds
-	-	-	-	-	-	13,848	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	10	-	-	-	-
-	-	-	-	-	-	-	-	-
55	-	12,113	12,814	-	2,560	6,496	4,142	5,235
55	-	12,113	12,814	10	2,560	20,344	4,142	5,235
251	-	12,737	-	-	-	-	-	-
-	-	-	14,286	-	-	-	-	3,990
-	-	-	-	13,505	225	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
251	-	12,737	14,286	13,505	225	-	-	3,990
(196)	-	(624)	(1,472)	(13,495)	2,335	20,344	4,142	1,245
-	-	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	-	-
-	-	-	-	-	-	(20,344)	-	-
-	1,000	-	-	-	-	(20,344)	-	-
(196)	1,000	(624)	(1,472)	(13,495)	2,335	-	4,142	1,245
334	2,000	2,956	-	13,495	5,415	-	(4,142)	-
138	3,000	2,332	(1,472)	-	7,750	-	-	1,245
138	3,000	2,332	(1,472)	-	7,750	-	-	1,245
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
138	3,000	2,332	(1,472)	-	7,750	-	-	1,245

City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Debt Service			
	General Obligation Bonds	1992 Paving	1998 Paving	2002 Street Utility
Receipts:				
Property tax	\$ 236,583	-	-	-
Tax increment financing collections	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	7,784	34,268	5,563
Miscellaneous	-	-	-	-
Total receipts	236,583	7,784	34,268	5,563
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	380,512	-	28,865	-
Capital projects	-	-	-	-
Total disbursements	380,512	-	28,865	-
Excess (deficiency) of receipts over (under) disbursements	(143,929)	7,784	5,403	5,563
Other financing sources (uses):				
Bond proceeds (net of fees)	-	-	-	-
Operating transfers in	156,996	-	-	-
Operating transfers out	-	(71,400)	-	-
Total other financing sources (uses):	156,996	(71,400)	-	-
Net change in cash balances	13,067	(63,616)	5,403	5,563
Cash balances beginning of year	(55,816)	63,616	100,561	-
Cash balances end of year	\$ (42,749)	-	105,964	5,563
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	-	-	-
Debt service fund	(42,749)	-	105,964	5,563
Capital projects funds	-	-	-	-
Total cash basis fund balances	\$ (42,749)	-	105,964	5,563

Capital Projects									
Capital Improvement Sewer	Office Replacement	Vehicle Replacement	Building Maintenance	Brick Improvement	Water Upgrade	Industrial Park Project	South 12th Street	Brickyard Road Project	Line of Credit
\$ -	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
15,000	-	130,383	2,400	-	7,500	-	-	-	-
15,000	-	130,383	2,400	-	7,500	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	33,800	2,082	-	8,450	-	74,164	-	258,000
-	-	33,800	2,082	-	8,450	-	74,164	-	258,000
15,000	-	96,583	318	-	(950)	-	(74,164)	-	(258,000)
-	-	-	-	-	-	-	193,007	-	258,000
-	-	-	-	-	-	25,000	6,066	20,000	-
-	-	(10,000)	-	-	-	-	-	-	-
-	-	(10,000)	-	-	-	25,000	199,073	20,000	258,000
15,000	-	86,583	318	-	(950)	25,000	124,909	20,000	-
4,207	14,550	58,535	4,279	3,995	21,193	(185,000)	(124,909)	(130,000)	-
\$ 19,207	14,550	145,118	4,597	3,995	20,243	(160,000)	-	(110,000)	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
19,207	14,550	145,118	4,597	3,995	20,243	(160,000)	-	(110,000)	-
\$ 19,207	14,550	145,118	4,597	3,995	20,243	(160,000)	-	(110,000)	-



City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Capital Projects				Total
	Public Safety Building	2003-2004 Asphalt Paving Project	New City Hall	Sewer Refund Project	
Receipts:					
Property tax	\$ -	-	-	-	522,277
Tax increment financing collections	-	-	-	-	308,734
Use of money and property	-	-	-	-	18
Intergovernmental	-	-	-	-	335,649
Special assessments	-	-	-	-	47,615
Miscellaneous	9,516	-	-	-	218,089
Total receipts	9,516	-	-	-	1,432,382
Disbursements:					
Operating:					
Public safety	-	-	-	-	137,217
Public works	-	-	-	-	323,734
Culture and recreation	-	-	-	-	87,674
Community and economic development	-	-	-	-	60,773
General government	-	-	-	-	35,615
Debt service	-	-	-	-	687,822
Capital projects	83,267	-	-	525	202,288
Total disbursements	83,267	-	-	525	1,535,123
Excess (deficiency) of receipts over (under) disbursements	(73,751)	-	-	(525)	(102,741)
Other financing sources (uses):					
Bond proceeds (net of fees)	-	-	-	-	451,007
Operating transfers in	50,000	-	50,000	-	309,062
Operating transfers out	-	-	-	-	(362,160)
Total other financing sources (uses):	50,000	-	50,000	-	397,909
Net change in cash balances	(23,751)	-	50,000	(525)	295,168
Cash balances beginning of year	(302,835)	(2,521)	(193,035)	1,203	(446,873)
Cash balances end of year	\$ (326,586)	(2,521)	(143,035)	678	(151,705)
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ -	-	-	-	313,271
Debt service fund	-	-	-	-	68,778
Capital projects funds	(326,586)	(2,521)	(143,035)	678	(533,754)
Total cash basis fund balances	\$ (326,586)	(2,521)	(143,035)	678	(151,705)

City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances

Nonmajor Proprietary Fund

As of and for the year ended June 30, 2004

Revenue Bonds and Notes									
Year	Water Revenue		Sewer Revenue		Sewer Revenue		Sewer Revenue		Total
	Water	Capital	Water	Capital	Water	Capital	Water	Capital	
Ending	Interest	Amount	Interest	Amount	Interest	Amount	Interest	Amount	
June 30	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2005	1019%	\$25,000	660%	\$100,000	185%	\$ 7,000	392%	\$ 1,000	\$25,000
2006	1010	25,000	-	-	220	7,000	392	11,000	106,000
2007	1010	25,000	-	-	235	7,000	392	11,000	106,000
2008	-	-	-	-	285	7,000	392	11,000	81,000
2009	-	-	-	-	310	7,500	392	12,000	87,000
2010	-	-	-	-	330	7,500	392	12,000	87,000
2011	-	-	-	-	350	8,000	392	13,000	98,000
2012	-	-	-	-	-	-	392	13,000	13,000
2013	-	-	-	-	-	-	392	14,000	14,000
2014	-	-	-	-	-	-	392	14,000	14,000
2015	-	-	-	-	-	-	392	15,000	15,000
2016	-	-	-	-	-	-	392	15,000	15,000
2017	-	-	-	-	-	-	392	15,470	15,470
Total		<u>\$75,000</u>		<u>\$100,000</u>		<u>\$50,000</u>		<u>\$16,470</u>	<u>\$85,470</u>

See accompanying independent auditors' report.

City of Adel  
Schedule of Indebtedness  
Year ended June 30, 2004

Year Ending June 30,	General					
	Capital Loan Notes		Capital Loan Notes		Capital Loan Notes	
	Issued Jan 14, 2000		Issued Mar 1, 2000		Issued Nov 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.75%	\$ 30,000	5.25%	\$ 25,000	5.10%	\$ 45,000
2006	5.35	30,000	5.30	25,000	5.15	50,000
2007	5.35	31,000	5.35	30,000	5.20	50,000
2008	5.35	34,000	5.40	30,000	5.25	50,000
2009	5.35	36,000	5.45	30,000	5.30	55,000
2010	5.35	38,000	5.50	35,000	5.35	55,000
2011		-		-	5.40	135,000
2012		-		-	5.50	140,000
2013		-		-	5.55	150,000
2014		-		-	5.60	160,000
2015		-		-	5.65	165,000
2016		-		-	5.70	175,000
2017		-		-	5.75	185,000
2018		-		-	5.80	200,000
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
Total		<u>\$ 199,000</u>		<u>\$ 175,000</u>		<u>\$ 1,615,000</u>

See accompanying independent auditors' report.

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Obligation Notes

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Capital Loan Notes			Capital Loan Notes		
Issued Oct 1, 2002			Issued Jun 1, 2004		
Interest			Interest		
Rates	Amount		Rates	Amount	Total
3.00%	\$ 60,000		0.00%	\$ -	\$ 160,000
3.30	60,000		2.25	100,000	265,000
3.60	65,000		2.70	100,000	276,000
3.85	65,000		3.10	105,000	284,000
4.05	70,000		3.35	110,000	301,000
4.20	75,000		3.55	115,000	318,000
4.35	80,000		3.75	120,000	335,000
4.50	80,000		3.95	120,000	340,000
4.60	85,000		4.10	125,000	360,000
4.70	85,000		4.25	130,000	375,000
4.80	90,000		4.40	135,000	390,000
4.90	90,000		4.55	140,000	405,000
5.00	95,000		4.65	150,000	430,000
	-		4.75	160,000	360,000
	-		4.85	165,000	165,000
	-		4.95	150,000	150,000
	-		5.05	160,000	160,000
	-		5.15	165,000	165,000
	-		5.25	175,000	175,000
	-		5.30	175,000	175,000
	<u>\$ 1,000,000</u>			<u>\$ 2,600,000</u>	<u>\$ 5,589,000</u>

City of Adel  
Bond and Note Maturities

June 30, 2004

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds 1993 Series Issued Aug 1, 1993		
	Interest Rates	Amount	
2005	7.10%	\$	15,000
2006	7.30		15,000
2007	7.40		15,000
2008	7.50		15,000
2009			-
2010			-
2011			-
2012			-
2013			-
2014			-
2015	Special Assessment Notes		
	Street Improvement		
2016	Capital Loan Notes		
	Issued Mar 1, 2000		
2017	Interest		-
	Rates	Amount	
Total	5.50%	\$	20,000
	5.60		20,000
	5.70		20,000
	5.80		25,000
	5.90		25,000
	6.00		25,000
			-
		\$	135,000

See accompanying independent auditors' report.

	2004
Receipts:	
Property tax	\$ 1,209,994
Tax increment financing collections	308,734
Other city tax	6,174
Licenses and permits	29,476
Use of money and property	26,892
Intergovernmental	341,249
Charges for service	119,810
Special assessments	47,615
Miscellaneous	740,112
Total	<u>\$ 2,830,056</u>

Disbursements:	
Operating:	
Public safety	\$ 602,796
Public works	382,280
Culture and recreation	359,094
Community and economic development	81,218
General government	187,818
Debt service	667,377
Capital projects	1,002,337
Total	<u>\$ 3,282,920</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds 1993 Series Issued Aug 1, 1993		Total Service Fund	General Obligation Bonds	
	Interest Rates	Amount			
2005	7.10%	\$ 15,000	Capital Projects Fund	Industrial Park Project	16,000
2006	7.30	15,000		Edwards Ranch Project	10,000
2007	7.40	15,000		Public Safety Building	36,586
2008	7.50	15,000		COA Appliance Project	251
2009		-		New City Hall	143,056
2010		-	Enterprise Fund	Swan Pond	7,300
2011		-	Urban Renewal Fund	Fire	190
2012		-		Social Center Project	142
2013		-			
2014		-			
2015		-			
2016		-			
2017		-			
Total		<u>\$ 60,000</u>			

## City of Adel

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Year

	<u>2004</u>
Receipts:	
Property tax	\$ 1,209,994
Tax increment financing collections	308,734
Other city tax	6,174
Licenses and permits	29,476
Use of money and property	26,892
Intergovernmental	341,249
Charges for service	119,810
Special assessments	47,615
Miscellaneous	<u>740,112</u>
Total	<u>\$ 2,830,056</u>
Disbursements:	
Operating:	
Public safety	\$ 602,796
Public works	382,280
Culture and recreation	359,094
Community and economic development	81,218
General government	187,818
Debt service	667,377
Capital projects	<u>1,002,337</u>
Total	<u>\$ 3,282,920</u>

See accompanying independent auditors' report.

City of Adel



Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Adel, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 22, 2004. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items III-B-04, III-C-04, III-F-04, III-H-04, III-J-04 and III-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Adel's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Adel's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-04 and II-B-04 are material weaknesses. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Adel and other parties to whom the City of Adel may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adel during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

July 22, 2004  
Ames, Iowa

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City of Adel

Schedule of Findings

Year Ended June 30, 2004

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

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City of Adel

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-04 Signature of Checks – The City has a control procedure established that requires dual signatures on all checks issued. However, one of the signatures is stamped on the checks by the other individual that signs the checks. Therefore only one individual reviews the checks for approval.

Recommendation – The two individuals should separately review each check and put their own signature on the checks.

Response – We will do so in the future.

Conclusion – Response accepted.

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City of Adel

Schedule of Findings

Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting:

- III-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004 at one financial institution.

Recommendation – The City should stay within the maximum limits set by their depository resolution.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public works, culture and recreation, and debt services functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Also, some of the amounts in the "total budget as last certified" column on the budget amendment did not match the original budget.

Recommendation – The City should contact the Office of Management and Budget to determine what should be done to correct this matter.

Response – We will do so.

Conclusion – Response accepted.

- III-C-04 Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursements noted were for refreshments.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- III-D-04 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

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City of Adel

Schedule of Findings

Year Ended June 30, 2004

- III-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Snakebyte Technologies, Owned by son of a Council Member	Services	\$ 1,411

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

- III-F-04 Bond Coverage – Surety bond coverage of City officials and employees is not in accordance with statutory provisions. The City Administrator is currently the only one covered on the policy. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Recommendation – The City should update their policy to include all required individuals in accordance with Chapter 64 of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- III-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

- III-H-04 Financial Condition – The City had the following deficit balances at June 30, 2004:

Debt Service Fund	General Obligation Bonds	\$ 42,749
Capital Projects Funds	Industrial Park Project	160,000
	Brickyard Road Project	110,000
	Public Safety Building	326,586
	03-04 Asphalt Project	2,521
	New City Hall	143,035
Enterprise	Sewer Rental	7,330
Special Revenue Funds	Fire	1,970
	Short Term Projects	1,472

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City of Adel

Schedule of Findings

Year Ended June 30, 2004

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.

- III-I-04 Financial Reporting – The City did not file any forms 1099-MISC with the Internal Revenue Service for calendar year 2003 and several individuals/businesses were required to receive them.

Recommendation – The City should file 1099's for all non-incorporated businesses and individuals who have performed services for the City of \$600 or more in one calendar year.

Response – We will do so.

Conclusion – Response accepted.

- III-J-04 Deposits and Investments – The City has not updated their investment policy to comply with the provisions of Ch. 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a new investment policy that meets the provisions of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- III-K-04 Revenue Bonds and Notes – The resolution providing for the issuance of the TIF bonds requires a minimum balance to be maintained in a sinking fund. At June 30, 2004, the balance in the TIF sinking fund was below the minimum amount required.

Also, according to the resolution authorizing the issuance of the State Revolving Loan, any excess funds over the minimum in the sinking fund and revenue fund are to be withdrawn and deposited into the revenue account. At June 30, 2004, the sinking fund and reserve fund have an excess of approximately \$16,000 and \$96,000 respectively.

The City is not in compliance with the provisions of the 1989 Water Revenue Bonds either. The improvement fund is below the minimum required balance and the reserve fund is in excess of the required balance by over \$90,000.

Recommendation – The City should make the necessary transfers to bring the funds to their required balances.

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City of Adel  
Schedule of Findings  
Year Ended June 30, 2004

Response – We will do so.

Conclusion – Response accepted.

- III-L-04 Line of Credit – The City entered into a \$450,000 line of credit agreement of which \$258,000 was drawn out during the fiscal year ended June 30, 2004. The City did not document approval by the council in their minutes for the loan and they did not hold a public hearing regarding the issuance of this loan.

Recommendation – The City should ensure the proper steps are taken when issuing debt.

Response – We will do so.

Conclusion – Response accepted.